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June 26, 2002

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

VIA HAND DELIVERY

Marlene H. Dortch, Esquire
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Re: **Revisions to Cable Television Rate Regulations, *Notice of Proposed Rulemaking and Order*, MB Docket No. 02-144, FCC 02-177, 17 FCC Rcd ____ (released June 19, 2002), para. 55.**
ORAL EX PARTE PRESENTATION NOTICE

Dear Ms. Dortch:

On Tuesday, June 25, 2002, Gary S. Lutzker and the undersigned met with William H. Johnson, Deputy Chief of the Media Bureau; Marjorie Reed Greene, Associate Bureau Chief of the Media Bureau; and John Norton, Deputy Chief of the Media Bureau's Policy Division regarding the above-referenced proceeding. During that meeting, we discussed matters concerning the proper calculation of regulated cable television rates to reflect the addition and deletion of channels given the expiration of Section 76.922(g) of the Commission's rules, 47 C.F.R. § 76.922(g). We also discussed the interim methodology for doing so suggested in the above-referenced order (the "Order") and the formula embedded in FCC Form 1240 that would be used to calculate the non-external portion of regulated rates associated with added or deleted channels pursuant to the methodology suggested in the Order. Enclosed herewith is a copy of the materials we provided.

Pursuant to Section 1.1206(b)(1) of the Commission's Rules, 47 C.F.R. § 1.1206(b)(1), an original and one copy of this letter are being submitted to the Secretary's office and copies are being provided to the Commission participants in the meeting. In addition, copies of this letter with enclosures are being filed pursuant to the instructions set forth in paragraph 83 of the Order.

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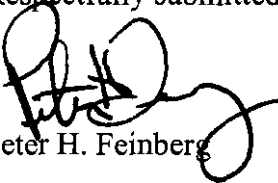
Marlene H. Dortch, Esq.

June 26, 2002

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Please contact the undersigned if you have any questions regarding the foregoing.

Respectfully submitted,



Peter H. Feinberg

Enclosures

PHF/sad

cc: William H. Johnson, Esquire, Room 3-C742 (w/o encl.)
John Norton, Esquire, Room 4-C764 (w/o encl.)
Marjorie Reed Greene, Esquire, Room 4-C764 (w/o encl.)
Wanda Hardy, Room 3-A862 (w/ encl.)
Qualex International, Room CY-B402 (w/ encl.)

1. Under the Commission's rules in effect prior to adoption of the *Sixth Order on Reconsideration*,¹ cable operators adjusted the residual (*i.e.*, non-external) component of their rates to reflect the addition and deletion of channels on regulated tiers pursuant to former Section 76.922(e) of the rules.²
 - For example, an operator who restructured a fifty-one channel single-tier cable system into a nineteen channel basic service tier ("BST") and who deleted thirty-two channels from the regulated tier would adjust the residual component of its BST rate by (1) dividing in two the sum BST channels before and after the restructuring; (2) consulting the table located in Section 76.922(e)(1) to determine the applicable per-channel adjustment factor for the number of channels produced by the calculation in step 1; and (3) multiplying the per-channel adjustment factor by the change in the number of channels on the BST. In this example, the operator would have reduced its residual BST rate by \$0.96 (32 channels x \$0.03). Of course, the actual rate for the restructured BST would also be reduced by the external costs (*i.e.*, programming cost, copyright fees, *etc.*) associated with the thirty-two deleted channels.
2. In the *Sixth Order on Reconsideration*, the Commission adopted, among other things, new temporary methodologies for adjusting regulated rates to reflect the addition, deletion, movement and substitution of channels on regulated BSTs and cable programming service tiers ("CPSTs").³ The Commission specifically limited application of its new methodologies to the period ending December 31, 1994. Paragraph 98 of the *Sixth Order on Reconsideration* explicitly stated that the new rule would "expire on [December 31, 1994] and will be replaced by our existing rule unless it is reinstated by

¹ Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992: Rate Regulation, *Sixth Order on Reconsideration. Fifth Report and Order, and Seventh Notice of Proposed Rulemaking*, 10 FCC Rcd 1226(1994), *aff'd* *Adelphia Communications Corp. v. FCC*, 88 F.3d 1250 (D.C. Cir. 1996).

² 47 C.F.R. § 76.922(e) (1994). Former Section 76.922(e) of the Commission's rules is attached hereto as Exhibit 1. The Commission adopted former Section 76.922(e) in the *Second Order on Reconsideration*. See Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992: Rate Regulation, *Second Order on Reconsideration, Fourth Report and Order, and Fifth Notice of Proposed Rulemaking*, 9 FCC Rcd 4119, 4241-44, paras. 244-48 (1994).

³ 10 FCC Rcd at 1244-1257, 1260, paras. 54-86, 98

⁴ *Id.* at 1248-49, para. 65, and 1260, para. 98.

the Commission.”⁵ The Commission, therefore, intended that former Section 76.922(e) of the rules would govern the adjustment of residual rates beginning January 1, 1998.

3. Although Section 76.922(e)(8) of the Commission’s revised rules stated that “[p]aragraph (e) of this section shall cease to be effective on January 1, 1998 unless renewed by the Commission,” and although the Commission declined to renew the revised Section 76.922(e), the codification of the Commission’s rules failed to reflect the Commission’s direction to reinstate Section 76.922(e) as it existed prior to adoption of the ***Sixth Order on Reconsideration***. The FCC Forms 1210 and 1240 also have not been revised to reflect reinstatement of the pre-existing channel movement and deletion rule.
4. Paragraph 55 of the above-referenced Order (the “***Order***”) states that cable operators should calculate rate adjustments for channels ***added*** to the BST in accordance with the per-channel adjustment factor in Section 76.922(g)(2) of the Commission’s rules,⁶ but also states that “rate adjustments for channel ***deletions*** and substitutions” be made “consistent with section 76.922(g)(4) and (g)(6), respectively.” (footnote omitted, emphasis added). Sections 76.922(g)(4) and (g)(6), however, were part of the new rule adopted in the ***Sixth Order on Reconsideration***, which the Commission determined would expire on December 31, 1997.
 - Under the methodology specified in paragraph 55 of the ***Order***, a cable operator providing a fifty-one channel BST would be permitted a \$0.01 residual rate adjustment to reflect the addition of one channel to the BST, but would be required to reduce its residual rate by approximately \$0.49 if it were to delete one channel.
 - In the first example noted above, where an operator restructures a fifty-one channel single-tier cable system into a nineteen channel BST and a thirty-two channel non-rate-regulated offering, the operator would be required, under the methodology specified in paragraph 55 of the ***Order***, to reduce its BST residual rate by approximately \$9.57, rather than the \$0.96 specified under the Commission’s rule existing prior to adoption of the ***Sixth Order on Reconsideration***. This example assumes the FCC Form 1240 spreadsheet would be capable of performing this calculation, which, as demonstrated below, it is not.

⁵ ***Zd*** at 1260, para. 98.

⁶ 47 C.F.R. § 76.922(e)(8) (1995). Following the Commission’s adoption of the annual rate adjustment methodology, Section 76.922(e) of the Commission’s 1995 rules was relocated to Section 76.922(g). *See* 47 C.F.R. § 76.922(g) (2001).

⁷ 47 C.F.R. § 76.922(g)(2) (2001). Section 76.922(g)(2) of the Commission’s current rules corresponds to 47 C.F.R. § 76.922(e)(2) (1995), which is the temporary rule adopted in the ***Sixth Order on Reconsideration***, 47 C.F.R. § 76.922(e)(2) (1995) is attached hereto as Exhibit 2.

5. The calculations specified in paragraph 55 of the *Order* cannot be accomplished on the current version of FCC Form 1240 without substantial amendments to the formulas reflected on the Commission's rate calculation spreadsheet. A specific example of the problem associated with the FCC Form 1240 and paragraph 55 of the *Order* is illustrated by Exhibit 3 to this Memorandum. Given a common scenario in which an operator is restructuring a "fat" basic service tier ("BST") into a BST and a CPST, the existing FCC Form 1240 cannot calculate the restructured BST rate properly. Specifically, Line 401 of Worksheet 4 for the Projected Period automatically reflects the Line A1 maximum permitted rate ("MPR"), which includes the rate for all the channels formerly carried on the "fat" BST, but the number of channels and external cost components of the Projected Period Worksheet 4 reflect the new "skinny" BST. In other words, the FCC Form 1240 will automatically, but erroneously, divide the price for the previously combined "fat" BST by the number of channels from the new restructured BST, which results in an incorrectly inflated residual for the Projected Period and, by operation of Worksheet 5, a *negative* MPR for the restructured BST. In the FCC Form 1240 included in Exhibit 3, in which a 51-channel BST is restructured in Month 1 of the Projected Period to a 19-channel BST, this aspect of the FCC Form 1240 spreadsheet results in reducing the \$25.97 MPR for the former 51-channel BST to a rate of (\$21.90).
6. The problem created by paragraph 55 of the *Order* is particularly acute for cable operators who have recently restructured single tier systems into separate BST and CPST offerings. Through no fault of their own, these operators are confronted with potentially substantial rate reductions and refund liability that could not have been predicted when they made a reasonable business decision to provide their customers with enhanced choices in service options.
7. Given the Commission's instructions in the *Sixth Order on Reconsideration* and the pre-existing channel addition and deletion rule adopted in the *Second Order on Reconsideration*, the Commission should clarify that the pre-existing rule applies to the non-external price adjustment for the addition and deletion of channels on all regulated service tiers except for the deletion of "Caps" channels from single-tier systems, which should reflect the actual per-channel adjustment taken when such channels were added to the operator's channel line-up.

under the price cap re-
first quarter shall run
through March 31 of
year; the second quarter
shall run from April 1 through June 30;
the third quarter shall run from July 1
through September 30; and the fourth
quarter shall run from October 1
through December 31.

Adjustments. The residual
of a system's permitted
rate shall be adjusted annually for
inflation adjustment
based on inflation occur-
ring in the Previous Year
in which the in-
crease is made, except that
if inflation adjustment
from September
30 of the year in
which inflation adjustment is
made may be made
no later than
the next calendar Year.
All be based on changes
in the National Product Price
Index published by the Bureau of
Economic Analysis of the United
States Department of Commerce. Cable
systems shall establish a transition
to paragraph(b)(4) of this
rule to be permitted to adjust
the rate of inflation until the
rate is adjusted for external
costs in numbers of regu-
lated channels less than, or equal to,
the full reduction rate ad-
justment, external costs and
numbers of regulated chan-

costs. (i) Permitted
rate may be adjusted UP
to reflect changes in ex-
ternal costs experienced by the cable
system. The system must
adjust annually to reflect any
external costs that have
been accounted for in
the rates. A System must also
adjust annually to reflect any
external costs, inflation and
changes in the number of
regulated channels during the Year if
the system wishes to have such
an adjustment in its regulated rates.
The system does not adjust its per-
mitted rate annually to account for
inflation. The system will not be permitted to

increase its rates subsequently to re-
flect the changes.

(ii) A system must adjust its rates in
the next calendar year quarter for any
decrease in programming costs that re-
sults from the deletion of a channel or
channels from a regulated tier.

(iii) Any rate increase made to re-
flect an increase in external costs must
also fully account for all other changes
in external costs, inflation and the
number of channels on regulated tiers
that occurred during the same period.
Rate adjustments made to reflect
changes in external costs shall be based
on any changes in those external costs
that occurred from the end of the last
quarter for which an adjustment was
previously made through the end of the
quarter that has most recently closed
preceding the filing of the FCC Form
1210 (or FCC Form 1211, where applica-
ble). A system may adjust its rates
after the close of a quarter to reflect
changes in external costs that occurred
during that quarter as soon as it has
sufficient information to calculate the
rate change.

(iv) External costs shall consist of
costs in the following categories:

(A) State and local taxes applicable
to the provision of cable television
service;

(B) Franchise fees;

(C) Costs of complying with franchise
requirements, including costs of Pro-
viding public, educational, and govern-
mental access channels as required by
the franchising authority;

(D) Retransmission consent fees and
copyright fees incurred for the carriage
of broadcast signals; and

(E) Other programming Costs.

(v) The permitted charge for a regu-
lated tier shall be adjusted on account
of programming costs, copyright fees
and retransmission consent fees only
for the program channels or broadcast
signals offered on that tier.

(vi) The permitted charge shall not
be adjusted for costs of retransmission
consent fees or changes in those fees
incurred prior to October 6, 1994.

(vii) The starting date for adjust-
ments on account of external costs for
a tier of regulated programming serv-
ice shall be the earlier of the initial
date of regulation for any basic or
cable service tier or February 28, 1994.

(viii) Changes in franchise fees shall
not result in an adjustment to Per-
mitted charges, but rather shall be Cal-
culated separately as part of the maxi-
mum monthly charge per subscriber for
a tier of regulated programming serv-
ice.

(ix) Adjustments to permitted
charges to reflect changes in the Costs
of programming purchased from affili-
ated programmers, as defined in
§ 76.901, shall be permitted as long as
the price charged to the affiliated sys-
tem reflects either prevailing company
prices offered in the marketplace to
third parties (where the affiliated Pro-
gram supplier has established such
prices) or the fair market value of the
programming.

(x) Adjustments to permitted charges
on account of increases in costs of pro-
gramming shall be further adjusted to
reflect any revenues received by the
operator from the programmer.

(xi) In calculating programming ex-
pense, operators may add a mark-up of
7.5% for new programming added after
May 15, 1994 and shall reduce rates by
decreases in programming expense plus
an additional 1.5% for decreases occur-
ring after May 15, 1994.

(e) **Changes in the number of channels
on regulated tiers.** (1) A system may ad-
just the residual component of its per-
mitted rate for a tier to reflect changes
in the number of channels offered on
the tier on a quarterly basis. Cable sys-
tems shall use FCC Form 1210 (or FCC
Form 1211, where applicable) to justify
rate changes made on account on
changes in the number of channels on a
regulated tier. Such rate adjustments
shall be based on any changes in the
number of regulated channels that oc-
curred from the end of the last quarter
for which an adjustment was pre-
viously made through the end of the
quarter that has most recently closed
preceding the filing of the FCC Form
1210 (or FCC Form 1211, where applica-
ble). However, when it deletes channels
in a calendar quarter, a system must
adjust the residual component of the
tier charge in the next calendar quar-
ter to reflect that deletion. The follow-
ing table shall be used to adjust per-
mitted rates for a tier for changes in
the number of channels offered on the
tier. The entries in the table provide

the cents per channel per subscriber per month by which cable operators will adjust the residual component using FCC Form 1210 (or FCC Form 1211, where applicable).

Average number of regulated channels	Per-channel adjustment factor
7	\$0.52
1.5	0.45
8	0.40
8.5	0.36
9	0.33
9.5	0.28
10	0.27
10.5	0.24
11	0.22
11.5	0.20
12	0.18
12.5	0.17
13	0.16
13.5	0.15
14	0.14
14.5	0.13
15-15.5	0.12
16	0.11
16.5-17	0.10
17.5-18	0.09
18.5-19	0.08
19.5-21.5	0.07
22-23.5	0.06
24-26	0.05
26.5-28.5	0.04
30-35.5	0.03
36-46	0.02
46.5 and above	0.01

(2) In order to adjust the residual component of the tier charge when there is a change in the number of channels on a tier, the operator shall perform the following calculations:

(i) Take the sum of the old total number of channels on tiers subject to regulation (i.e., tiers that are, or could be, regulated) and the new total number of channels and divide the resulting number by two;

(ii) Consult the table in paragraph (e)(1) of this section to find the applicable per channel adjustment factor for the number of channels produced by the calculations in paragraph (e)(2)(i) of this section. For each tier for which there has been a change in the number of channels multiply the per-channel adjustment factor times the change in the number of channels on that tier. The result is the total adjustment for that tier. It is positive if the number of channels on the tier has increased and negative if the number of channels has decreased.

(f) Permitted charges for a tier shall be determined in accordance with

forms and associated instructions established by the Commission.

(g) **Cost of service charge.** (1) For Purpose of this section, a monthly Cost-Of-service charge for a basic service tier or a cable programming service tier is an amount equal to the annual revenue requirement for that tier divided by a number that is equal to 12 times the average number of subscribers to that tier during the test year, except that a monthly charge for a system or tier in service less than one year shall be equal to the projected annual revenue requirement for the first 12 months of operation or service divided by a number that is equal to 12 times the Projected average number of subscribers during the first 12 months of operation or service. The calculation of the average number of subscribers shall include all subscribers, regardless of whether they receive service at full rates or at discounts.

(2) A test year for an initial regulated charge is the cable operator's fiscal year preceding the initial date of regulation. A test year for a change in the basic service charge that is after the initial date of regulation is the cable operator's fiscal year preceding the mailing or other delivery of Written notice pursuant to § 76.932. A test year for a change in a cable Programming service charge after the initial rate of regulation is the cable operator's fiscal year preceding the filing of a complaint regarding the increase.

(3) The annual revenue requirement for a tier is the sum of the return component and the expense component for that tier.

(4) The return component for a tier is the average allowable test year ratebase allocable to the tier adjusted for known and measurable changes occurring between the end of the test year and the effective date of the rate multiplied by the rate of return specified by the Commission or franchising authority.

(5) The expense component for a tier is the sum of allowable test year expenses allocable to the tier adjusted for known and measurable changes occurring between the end of the test year and the effective date of the rate.

(6) The ratebase may include the following:

(i) Prudent investment by a cable operator in tangible plant that is used and useful in the provision of cable services less accumulated depreciation. Tangible plant in service shall be valued at the actual money cost (or the money value of any consideration other than money) of property at the time it was first used to provide cable service. The actual money cost of plant may include an allowance for funds used during construction at the prime rate or at the operator's actual cost of funds used during construction. Cost overruns are presumed to be imprudent investment in the absence of a showing that the overrun occurred through no fault of the operator.

(ii) An allowance for start-up losses, if any, that is equal to the lesser of the first two years of operating costs or accumulated losses incurred until the system reached the end of its Prematurity stage as defined in Financial Accounting Standards Board Standard 51 ("FASB 51") less straight-line amortization over a reasonable period not exceeding 15 years that commences at the end of the prematurity phase of operation. FASB 51 is available from: Financial Accounting Standards Board, 401 Merritt I. P.O. Box 5116, Norwalk, CT 06856-5116.

(iii) Intangible assets less amortization that reflect the original costs prudently incurred by a cable operator in organizing and incorporating a company that provides regulated cable services, obtaining a government franchise to provide regulated cable services, or obtaining patents that are used and useful in the provision of cable services.

(iv) The cost of customer lists if such costs were capitalized during the Prematurity phase of operations less amortization.

(v) An amount for working capital to the extent that an allowance or disallowance for funds needed to sustain the ongoing operations of the regulated cable service is demonstrated.

(vi) Other intangible assets to the extent the cable operator demonstrates that the asset reflects costs incurred in an activity or transaction that produced concrete benefits or savings for subscribers to regulated cable services that would not have been realized otherwise and that

otherwise and that demonstrates that the asset does not have a subscriber base.

(vii) The portion of the plant not currently being placed in service within 12 months of the test year.

(7) Deferred depreciation deducted from the ratebase.

(8) Allowable depreciation the following:

(i) All regulated assets incurred by a cable operator in the provision of regulated services, including any tangible contribution paid on accounts or rules, or clubs or organizations.

(ii) Reasonable depreciation attributable to the asset in the ratebase.

(iii) Reasonable depreciation for premature sets formerly in the ratebase that remain in the remainder of the life of the asset.

(iv) Reasonable depreciation for start-up losses on tangible assets ratebase.

(v) Taxes other than those attributable to the cable services.

(vi) Network costs.

Cable operators cannot network capital investment increase in rates by demonstration investment will be

(2) A rate increase shall not be implemented until the cable operator is providing a regulated service.

(3) Cable operators shall demonstrate an increase in cost Current depreciation changes in market costs, change6 and expected economic

changes in external costs shall be based on any changes in those external costs that occurred from the end of the last quarter for which an adjustment was previously made through the end of the quarter that has most recently closed preceding the filing of the FCC Form 1210 or FCC Form 1211, where applicable. A system may adjust its rates after the close of a quarter to reflect changes in external costs that occurred during that quarter as soon as it has sufficient information to calculate the rate change.

(iv) External costs shall consist of costs in the following categories:

(A) State and local taxes applicable to the provision of cable television service;

(B) Franchise fees

(C) Costs of complying with franchise requirements including costs of providing public education and governmental access channels as required by the franchising authority;

(D) Retransmission consent fees and copyright fees incurred for the use of broadcast signals;

(E) Other costs incurred in the operation of the system;

(F) Other fees, including system maintenance fees, pursuant to 47 U.S.C. 541.

(v) The permitted charge for a regulated tier shall be adjusted on account of the following factors: (1) the cost of retransmission in the tier only for the program channels or channels offered on that tier.

(1) The permitted charge shall reflect the cost of retransmission costs or changes in those fees incurred prior to October 6, 1994.

(vii) The starting date for adjustments on account of external costs for a tier of regulated programming service shall be the earlier of the initial date of regulation for any basic or cable service tier or February 28, 1994.

(viii) Changes in franchise fees shall not result in an adjustment to permitted charges, but rather shall be calculated separately as part of the maximum monthly charge per subscriber for a tier of regulated programming service.

(ix) Adjustments to permitted charges to reflect changes in the costs of programming purchased from affiliated programmers, as defined in

§ 76.901, shall be permitted as long as the price charged to the affiliated system reflects either prevailing company prices offered in the marketplace to third parties (where the affiliated program supplier has established such prices) or the fair market value of the programming.

(x) Adjustments to permitted charges on account of increase in costs of programming shall be further adjusted to reflect any revenues received by the operator from the programmer. Such adjustments shall apply on a channel-by-channel basis.

(xi) In calculating programming expense, operators may add a mark-up of 1.5% for increases in programming costs occurring after March 31, 1994, except that operators may not file for or take the 1.5% mark-up on programming costs for new channels added on or after May 15, 1994 for which the operator has used the methodology set forth in paragraph (e)(3) of this section for adjusting rates for channels added to cable programming service tiers. Operators shall reduce rates by decreases in programming expense plus an additional 7.5% for decreases occurring after May 16, 1994 except with respect to programming cost decreases on channels added after May 16, 1994 for which the rate adjustment methodology in paragraph (e)(3) of this section was used.

(e) *Changes in the number of channels on regulated tiers—(1) Generally.* A system may adjust the residual component of its permitted rate for a tier to reflect changes in the number of channels offered on the tier on a quarterly basis. Cable systems shall use FCC Form 1210 (or FCC Form 1211, where applicable) to justify rate changes made on account of changes in the number of channels on a basic service tier ("BST") or a cable programming service tier ("CPST"). Such rate adjustments shall be based on any changes in the number of regulated channels that occurred from the end of the last quarter for which an adjustment was previously made through the end of the quarter that has most recently closed preceding the filing of the FCC Form 1210 (or FCC Form 1211, where applicable). However, when a system deletes channels in a calendar quarter, the sys-

term must adjust the residual component of the tier charge for the next calendar quarter to reflect its deletion. Operators must elect between the channels addition rule in paragraphs (e)(2) and (e)(3) of this section the first time they adjust rates after December 31, 1994, to reflect a channel addition to a CPST that occurred after May 15, 1994, and must use the methodology for that tier that it elects after January 1, 1995, on the basis of a change in the number of channels on a CPST that occurred after May 15, 1994, may elect to raise its tier charge to rates permitted by paragraph (e)(3) of this section on or after January 1, 1995, but is not required to do so as a condition for using the methodology in paragraph (e)(3) of this section for rate adjustments after January 1, 1995. For the purposes of this section, the methodology in paragraph (e)(2) of this section except that where a cable operator has a lower tier charge between paragraph (e)(2) and (e)(3) of this section as if it tier was a CPST.

(2) **Adjusting Rates for increases in the number of channels offered between May 15, 1994, and December 31, 1997, on a basic service tier and at the election of the operator on a cable programming service tier.** The following table shall be used to adjust tier rates for increases in the number of channels offered between May 15, 1994, and December 31, 1997, on a cable programming service tier. The methodology in paragraph (e)(1) of this section shall be used to adjust rates for increases in the number of channels offered on a CPST. The methodology in the table shall be used to adjust rates for increases in the number of channels offered on a cable programming service tier. The following table shall be used to adjust tier rates for increases in the number of channels offered between May 15, 1994, and December 31, 1997, on a cable programming service tier. The methodology in paragraph (e)(1) of this section shall be used to adjust rates for increases in the number of channels offered on a CPST. The methodology in the table shall be used to adjust rates for increases in the number of channels offered on a cable programming service tier.

Average No. of regulated channels	Per-channel adjustment factor	Average No. of regulated channels	Per-channel adjustment factor
7	10.52	14	0.14
1.5	0.45	14.6	0.13
8	0.40	15-15.5	0.12
8.5	0.36	16	0.11
9	0.33	16.5-17	0.10
9.5	0.29	17.5-18	0.09
10	0.27	18.5-19	0.08
10.5	0.24	19.5-21.5	0.07

Average No. of regulated channels	Per-channel adjustment factor	Average No. of regulated channels	Per-channel adjustment factor
11	0.22	22-23.5	0.06
11.5	0.20	24-26	0.05
12	0.19	26.5-28.5	0.04
12.5	0.17	30-35.5	0.03
13	0.16	34-46	0.02
13.5	0.15	46.5-99.5	0.01

In order to adjust the residual component of the tier charge when there is an increase in the number of channels on a tier, the operator shall perform the following calculations:

(i) Take the sum of the old total number of channels on tiers subject to regulation (i.e., tiers that are, or could be, regulated but excluding New Product Tiers) and the new total number of channels and divide the resulting number by two:

(ii) Consult the above table to find the applicable per channel adjustment factor for the number of channels produced by the Calculations in paragraph (e)(2)(i) of this section. For each tier for which there has been an increase in the number of Channels, multiply the per-channel adjustment factor times the change in the number of channels on that tier. The result is the total adjustment for that tier.

(3) **Alternative methodology for changes in the number of channels offered on a cable programming service tier on a single tier system between May 15, 1994, and December 31, 1997.** This paragraph at the Operator's discretion as set forth in paragraph (e)(1) of this section shall be used to adjust permitted rates for a CPST after December 31, 1994, for changes in the number of Channels offered on a CPST between May 15, 1994, and December 31, 1997. For purposes of this paragraph (e)(3) of this section, a single tier system may be treated as if it were a CPST.

(i) Operators cap attributable to new channels on all CPSTs through December 31, 1997. Operators electing to use the methodology set forth in this paragraph may increase their rates between January 1, 1995, and December 31, 1997, by up to 20 cents per channel, exclusive of programming costs, for new channels added to CPSTs on or after May 15, 1994, except that they may not make rate adjustments totalling more than \$1.20 per month, per subscriber

through December 31, 1996, and by more than \$1.40 per month, per subscriber through December 31, 1997 (the "Operator's Cap"). Except to the extent that the programming costs of such channels are covered by the License Fee Reserve provided for in paragraph (e)(3)(iii) of this section, programming costs associated with channels for which a rate adjustment is made pursuant to this paragraph (e)(3) of this section must fall within the Operator's Cap if the programming costs (including any increases therein) are reflected in rates before January 1, 1997. Inflation adjustments pursuant to §76.922(d)(2) are not counted against the Operator's Cap.

(ii) **Per channel adjustment.** Operator may increase rates by a per channel adjustment of up to 20 cents per subscriber per month, exclusive of programming costs, for each channel added to a CPST between May 15, 1994, and December 31, 1997, except that an operator may take the per channel adjustment only for channel additions that result in an increase in the highest number of channels offered on all CPSTs as compared to May 14, 1994, and each date thereafter. Any revenues received from a programmer, or shared by a programmer and an operator in connection with the addition of a channel to a CPST shall first be deducted from programming costs for that channel pursuant to paragraph (d)(3)(x) of this section and then, to the extent revenues received from the programmer are greater than the programming costs, shall be deducted from the per channel adjustment. This deduction will apply on a channel by channel basis.

(iii) **License fee reserve.** In addition to the rate adjustments permitted in paragraphs (e)(3)(i) and (e)(3)(ii) of this section operators that make channel additions on or after May 15, 1994 may increase their rates by a total of 30 cents per month, per subscriber between January 1, 1995, and December 31, 1996, for license fees associated with such channels (the "License Fee Reserve"). The License Fee Reserve may be applied against the initial license fee and any increase in the license fee for such channels during this period. An operator may pass-through to sub-

scribers more than the 30 cents between January 1, 1995, and December 31, 1996, for license fees associated with channels added after May 15, 1994, provided that the total amount recovered from subscribers for such Channels, including the License Fee Reserve, does not exceed \$1.50 per subscriber per month. After December 31, 1996, license fees may be passed through to subscribers pursuant to paragraph (d) of this section, except that license fees associated with channels added pursuant to this paragraph (d)(3) of this section will not be eligible for the 1.5% mark-up on increases in programming costs.

(iv) **Timing.** For purposes of determining whether a rate increase counts against the maximum rate increases specified in paragraph (e)(3)(i) through (e)(3)(iii) of this section, the relevant date shall be when rates are increased as a result of channel additions, not when the addition occurs.

(4) **Deletion of Channels.** When dropping a channel from a BST or CPST, operators shall reflect the net reduction in external costs in their rates pursuant to paragraphs (d)(3)(i) and (ii) of this section. With respect to channels to which the 1.5% mark-up on programming costs applied pursuant to paragraph (d)(3)(xi) of this section, the operator shall treat the mark-up as part of its programming costs and subtract the mark-up from its external costs. Operators shall also reduce the price of that tier by the "residual" associated with that channel. For channels that were on a BST or CPST on May 14, 1994, or channels added after that date pursuant to paragraph (e)(2) of this section, the per channel residual is the charge for the tier, minus the external costs for the tier, and any per channel adjustments made after that date, divided by the total number of channels on the tier minus the number of channels on the tier that received the per channel adjustment specified in paragraph (e)(3) of this section. For channels added to a CPST after May 14, 1994, pursuant to paragraph (e)(3) of this section, the residuals shall be the actual per channel adjustment taken for that channel when it was added to the tier.

(5) **Movement of channels between tiers.** When a channel is moved from a CPST

or a BST to mother CPST or BST, the price of the tier from which the channel is dropped shall be reduced to reflect the decrease in programming costs and residual as described in paragraph (e)(4) of this section. The residual associated with the shifted channel shall then be converted from per subscriber to aggregate numbers to ensure aggregate revenues from the channel remain the same when the channel is moved. The aggregate residual associated with the shifted channel may be shifted to the tier to which the Channel is being moved. The residual shall then be converted to per subscriber figures on the new tier, plus any subsequent inflation adjustment. The price of the tier to which the channel is shifted may then be increased to reflect this amount. The price of that tier may also be increased to reflect any increase in programming cost. An operator may not shift a channel for which it received a per channel adjustment pursuant to paragraph (e)(3) of this section from a CPST to a BST.

(6) Substitution of channels on a BST or CPST. If an operator substitutes a new channel for an existing channel on a CPST or a BST, no per channel adjustment may be made. Operators substituting channels on a CPST or a BST shall be required to reflect any reduction in programming costs in their rates and may reflect any increase in programming costs pursuant to paragraphs (d)(3)(i) and (d)(3)(ii) of this section. If the programming cost for the new channel is greater than the programming cost for the replaced channel, and the operator chooses to pass that increase through to subscribers, the excess shall count against the License Fee Reserve or the Operator cap when the increased cost is passed through to subscribers. Where an operator substitutes a new channel for a channel on which a 1.5% mark-up on programming costs was taken pursuant to paragraph (d)(3)(xi) of this section, the operator may retain the 7.5% mark-up on the license fee of the dropped channel to the extent that it is no greater than 1.5% of programming cost of the new service.

(7) Headend upgrades. When adding channels to CPSTs and single-tier systems, cable systems that are owned by

a small cable company and incur additional monthly per subscriber headend costs of one full cent or more for an additional channel may choose among the methodologies set forth in paragraphs (e)(2) and (e)(3) of this section. In addition, such systems may increase rates to recover the actual cost of the headend equipment required to add UP to seven such channels to CPSTs and single-tier systems, not to exceed \$5,000 per additional channel. Rate increases pursuant to this paragraph may occur between January 1, 1995, and December 31, 1997, as a result of additional channels offered on those tiers after May 14, 1994. Headend costs shall be depreciated over the useful life of the equipment. The rate of ret— on this investment shall not exceed 11.25 percent. In order to recover costs for headend equipment pursuant to this paragraph, systems must certify to the Commission their eligibility to use this paragraph, and the level of costs they have actually incurred for adding the headend equipment and the depreciation schedule for the equipment.

(8) Sunset provision. Paragraph (e) of this section shall cease to be effective on January 1, 1998 unless renewed by the Commission.

(1) Permitted charges for a tier shall be determined in accordance with forms and associated instructions established by the Commission.

(g) Cost of service charge. (1) For purpose of this section, a monthly cost-of-service charge for a basic service tier or a cable programming service tier is an amount equal to the annual revenue requirement for that tier divided by a number that is equal to 12 times the average number of subscribers to that tier during the test year, except that a monthly charge for a system or tier in service less than one year shall be equal to the projected annual revenue requirement for the first 12 months of operation or service divided by a number that is equal to 12 times the projected average number of subscribers during the first 12 months of operation or service. The calculation of the average number of subscribers shall include all subscribers, regardless of whether they receive service at full rates or at discounts.



2

FCC FORM 1240
UPDATING MAXIMUM PERMITTED RATES FOR REGULATED CABLE SERVICES

Cable Operator:

Name of Cable Operator		
Mailing Address of Cable Operator		
City	State	ZIP Code

--

Name of Local Franchising Authority		
Mailing Address of Local Franchising Authority		
City	State	ZIP Code
Telephone number	Fax Number	

6. Indicate the time period for which you are performing a true-up.

1. Status of Previous Filing of FCC Form 1240 (enter an "x" in the appropriate box)

a. Is this the first FCC Form 1240 filed in any jurisdiction?

b. Has an FCC Form 1240 been filed previously with the FCC?

12/01/00	11/30/01	(mm/yy)
YES	NO	
	X	
	X	
05/31/01		

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b. Has an FCC Form 1210 been previously filed with the Franchising Authority?

X	
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10/18/95

a. Has an FCC Form 1200 been previously filed with the FCC?

	X
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08/15/94

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11. Is FCC Form 1205 Being Included With This Filing

X	
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A1	Current Maximum Permitted Rate	\$25.9727			

Line					
B1	Average Subscribership For True-Up Period 1	33,809			
B2	Average Subscribership For True-Up Period 2				
B3	Estimated Average Subscribership For Projected Period	34,553			

Line					
Line Description					
C1	Unclaimed Inflation: Operator Switching From 1210 To 1240				1.0000
C2	Unclaimed Inflation: Unregulated Operator Responding to Rate Complaint				1.0000
C3	Inflation Factor For True-Up Period 1 [Wks 1]				1.0243
C4	Inflation Factor For True-Up Period 2 [Wks 1]				
C5	Current FCC Inflation Factor				1.0225

Module D: Calculating the Base Rate

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
D1	Current Headend Upgrade Segment					
D2	Current External Costs Segment	\$9.1673				
D3	Current Caps Method Segment	\$2.1618				
D4	Current Markup Method Segment					
D5	Current Channel Movement and Deletion Segment					
D6	Current True-Up Segment	(\$1.8994)				
D7	Current Inflation Segment	\$0.3650				
D8	Base Rate [A1-D1-D2-D3-D4-D5-D6-D7]	\$16.1780				

Part II: True-Up Period Module E: Timing Information

Line	Line Description	
E1	What Type of True-Up Is Being Performed? (Answer "1", "2", or "3". See Instructions for a description of these types) If "1", go to Module 1. If "2", answer E2 and E3. If "3", answer E2, E3, E4, and E5.	2
E2	Number of Months in the True-Up Period 1	12
E3	Number of Months between the end of True-Up Period 1 and the end of the most recent Projected Period	6
E4	Number of Months in True-Up Period 2 Eligible for Interest	0
E5	Number of Months True-Up Period 2 Ineligible for Interest	0

Module F: Maximum Permitted Rate For True-Up Period 1

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
F1	Caps Method Segment For True-Up Period 1 [Wks 2]	\$1.4912				
F2	Markup Method Segment For True-Up Period 1 [Wks 3]	\$0.0000				
F3	Chan Mvmnt Deletn Segment For True-Up Period 1 [Wks' 4/5]	\$0.00				
F4	True-Up Period 1 Rate Eligible For Inflation [D8+F1+F2+F3]	\$17.6692				
F5	Inflation Segment for True-Up Period 1 [(F4*C3)-F4]	\$0.4295				
F6	Headend Upgrade Segment For True-Up Period 1 [Wks 6]					
F7	External Costs Segment For True-Up Period 1 [Wks 7]	\$8.3807				
F8	True-Up Segment For True-Up Period 1	(\$1.8479)				
F9	Max Perm Rate for True-Up Period 1 [F4+F5+F6+F7+F8]	\$24.6315				

Module G: Maximum Permitted Rate For True-Up Period 2

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
G1	Caps Method Segment For True-Up Period 2 [Wks 2]					
G2	Markup Method Segment For True-Up Period 2 [Wks 3]					
G3	Chan Mvmnt Deletn Segment For True-Up Period 2 [Wks' 4/5]					
G4	TU Period 2 Rate Eligible For Inflation [D8+F5+G1+G2+G3]					
G5	Inflation Segment for True-Up Period 2 [(G4*C4)-G4]					
G6	Headend Upgrade Segment For True-Up Period 2 [Wks 6]					
G7	External Costs Segment For True-Up Period 2 [Wks 7]					
G8	True-Up Segment For True-Up Period 2					
G9	Max Perm Rate for True-Up Period 2 [G4+G5+G6+G7+G8]					

Module H: True-Up Adjustment Calculation

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
Adjustment For True-Up Period 1						
H1	Revenue From Period 1	\$10,524,065.52				
H2	Revenue From Max Permitted Rate for Period 1	\$9,993,216.1348				
H3	True-Up Period 1 Adjustment [H2-H1]	(\$530,849.3852)				
H4	Interest on Period 1 Adjustment	(\$61,400.1965)				
Adjustment For True-Up Period 2						
H5	Revenue From Period 2 Eligible for Interest					
H6	Revenue From Max Perm Rate for Period 2 Eligible For Interest					
H7	Period 2 Adjustment Eligible For Interest [H6-H5]					
H8	Interest on Period 2 Adjustment (See instructions for formula)					
H9	Revenue From Period 2 Ineligible for Interest					
H10	Revenue From Max Perm Rate for Period 2 Ineligible for Interest					
H11	Period 2 Adjustment Ineligible For Interest [H10-H9]					
Total True-Up Adjustment						
H12	Previous Remaining True-Up Adjustment					
H13	Total True-Up Adjustment [H3+H4+H7+H8+H11+H12]	(\$592,249.5817)				
H14	Amount of True-Up Claimed For This Projected Period	(\$592,249.5817)				
H15	Remaining True-Up Adjustment [H13-H14]	\$0.0000				

Part III: Projected Period Module I: New Maximum Permitted Rate

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
I1	Caps Method Segment For Projected Period [Wks 2]	\$0.0000				
I2	Markup Method Segment For Projected Period [Wks 3]	\$0.0000				
I3	Chan Mvmnt Deletn Segment For Projected Period [Wks 4/5]	(\$37.2876)				
I4	Proj. Period Rate Eligible For Inflation [D8+F5+G5+I1+I2+I3]	(\$20.6801)				
I5	Inflation Segment for Projected Period [(I4*C5)-I4]	(\$0.4653)				
I6	Headend Upgrade Segment For Projected Period [Wks 6]					
I7	External Costs Segment For Projected Period [Wks 7]	\$0.6703				
I8	True-Up Segment For Projected Period	(\$1.4284)				
I9	Max Permitted Rate for Projected Period [I4+I5+I6+I7+I8]	(\$21.9035)				
I10	Operator Selected Rate For Projected Period					

Note: The maximum permitted rate figures do not take into account any refund liability you may have. If you have previously been ordered by the Commission or your local franchising authority to make refunds, you are not relieved of your obligation to make such refunds even if the permitted rate is higher than the contested rate or your current rate.

Certification Statement

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE TITLE 18, SECTION 1001), AND/OR FORFEITURE (U.S. CODE, TITLE 47, SECTION 503).

I certify that the statements made in this form are true and correct to the best of my knowledge and belief, and are made in good faith.

Signature	Date
	3/1/2002
Name and Title of Person Completing this Form:	
Telephone number	Fax Number

Worksheet 1 - True-Up Period Inflation

For instructions, see Appendix A of Instructions For FCC Form 1240

Line	Period	FCC Inflation Factor
101	Month 1	1.99%
102	Month2	3.23%
103	Month3	3.23%
104	Month4	3.23%
105	Month5	2.08%
106	Month6	2.08%
107	Month7	2.08%
108	Month8	2.25%
109	Month9	2.25%
110	Month 10	2.25%

True-Up Period 1

114	Month 13	
115	Month 14	
116	Month 15	
117	Month16	
118	Month 17	
119	Month 18	
120	Month19	
121	Month20	
122	Month21	
123	Month 22	
124	Month23	
125	Month24	
126	Average Inflation Factor for True-Up Period 2	

Worksheet 2 - Caps Method True-Up Period, Basic Tier

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
X	

Question 1. Indicate the period for which this worksheet is being used. (Put an "X" in the appropriate box.)

Question 2. Indicate the tier for which this worksheet is being used. (Put an "X" in the appropriate box.)

Basic	Tier2	Tier3	Tier4	Tier 5
X				

Question 3 How long is the first period, in months,for which rates are being set with this worksheet?

Question 4. How long is the **second** period. in months,for which rates are being set with this worksheet?

12
0

Line	Period	1	2	3	4	5	6	7	8	9
		Previous Regulated Channels	Current Regulated Channels	Net Change	Operators Cap For Added	Operator's Cap For License Fees	License Fee Reserve Used	Total License Fee Reserve Used	Total Operators Cap Used	Total Caps Adjustment
201	Previous Month							\$1.29	\$0.80	\$2.09
202	Month 1	51	51	0			(\$0.6011)	\$0.69	\$0.80	\$1.49
203	Month 2	51	51	0				\$0.69	\$0.80	\$1.49
204	Month 3	51	51	0				\$0.69	\$0.80	\$1.49
205	Month 4	51	51	0				\$0.69	\$0.80	\$1.49
206	Month 5	51	51	0				\$0.69	\$0.80	\$1.49
207	Month 6	51	51	0				\$0.69	\$0.80	\$1.49
208	Month 7	51	51	0				\$0.69	\$0.80	\$1.49
209	Month 8	51	51	0				\$0.69	\$0.80	\$1.49
210	Month 9	51	51	0				\$0.69	\$0.80	\$1.49
211	Month 10	51	51	0				\$0.69	\$0.80	\$1.49
212	Month 11	51	51	0				\$0.69	\$0.80	\$1.49
213	Month 12	51	51	0				\$0.69	\$0.80	\$1.49
214	Average Period 1 Caps Method Adjustment									\$1.4912

215	Month 13									
216	Month 14									
217	Month 15									
218	Month 16									
219	Month 17									
220	Month 18									
221	Month 19									
222	Month 20									
223	Month 21									
224	Month 22									
225	Month 23									
226	Month 24									
227	Average Period 2 Caps Method Adjustment									

Worksheet 2 - Caps Method Projected Period, Basic Tier

For Instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
	X

Question Indicate the period for which this worksheet is being used. (Put an " X in the appropriate box.)

Question Indicate the tier for which this worksheet is being used. (Put an " X in the appropriate box.)

Basic	Tier2	Tier3	Tier4	Tier 5
X				

Question How long is the first period, in months, for which rates are being set with this worksheet?

12
N/A

Question 4. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Period	1	2	3	4	5	6	7	8	9
		Previous Regulated Channels	Current Regulated Channels	Net Change	Operators Cap For Channels Added	Operator's Cap For License Fees	License Fee Reserve Used	Total License Fee Reserve Used	Total Operators Cap Used	Total Caps Adjustment
201	Previous Month							\$0.69	\$0.80	\$1.49
202	Month 1	51	19	-32	(\$0.80)		(\$0.6912)	\$0.00	\$0.00	\$0.00
203	Month 2	19	19	0				\$0.00	\$0.00	\$0.00
204	Month 3	19	19	0				\$0.00	\$0.00	\$0.00
205	Month 4	19	19	0				\$0.00	\$0.00	\$0.00
206	Month 5	19	19	0				\$0.00	\$0.00	\$0.00
207	Month 6	19	19	0				\$0.00	\$0.00	\$0.00
208	Month 7	19	19	0				\$0.00	\$0.00	\$0.00
209	Month 8	19	19	0				\$0.00	\$0.00	\$0.00
210	Month 9	19	19	0				\$0.00	\$0.00	\$0.00
211	Month 10	19	19	0				\$0.00	\$0.00	\$0.00
212	Month 11	19	19	0				\$0.00	\$0.00	\$0.00
213	Month 12	19	19	0				\$0.00	\$0.00	\$0.00
214	Average Period 1 Caps Method Adjustment									\$0.0000

True-Up Period	Projected Period
X	

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01	Average Permitted Charge	\$25.9400				
02	Average External Costs	\$8.3807				
	Average Total Per Channel Adjustments after 5/14/94	\$1.4912				
404	Average Tier Residual [401-402-403]	\$16.0681				
405	Average Channels per Regulated Tier	51 0000				
406	Average Caps Method Channels per Tier	4 0000				
407	Average Remaining Channels [405-406]	47.0000				
408	Average Period 1 Per Channel Residual [404/407]	\$0.3419				

409	Average Permitted Charge					
410	Average External Costs					
411	Average Total Per Channel Adjustments after 5/14/94 for Channels Added Using Caps Method					
412	Average Tier Residual [409-410-411]					
413	Average Channels per Regulated Tier					
414	Average Caps Method Channels per Tier					
415	Average Remaining Channels [413-414]					
416	Average Period 2 Per Channel Residual [412/415]					

Worksheet 4 - Residual Projected Period

Question 1. Indicate the period for which this worksheet is being used. (Put an "X" in the appropriate box.)

True-Up Period	Projected Period
	X

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
Period One						
401	Average Permitted Charge	\$25.9727				
402	Average External Costs	\$0.6703				
403	Average Total Per Channel Adjustments after 5/14/94 for Channels Added Using Caps Method	\$0.0000				
404	Average Tier Residual [401-402-403]	\$25.3024				
405	Average Channels per Regulated Tier	19.0000				
406	Average Caps Method Channels per Tier	0.0000				
407	Average Remaining Channels [405-406]	19.0000				
408	Average Period 1 Per Channel Residual [404/407]	\$1.3317				

Worksheet 5 - Channel Movement and Deletion Projected Period, Basic Tier

For instructions, see Appendix A of Instructions For FCC Form 1240

Question 1. Indicate the period for which this worksheet is being used. (Put an "X" in the appropriate box.)

True-Up Period	Projected Period
	X

Question 2. Indicate the tier for which this worksheet is being used. (Put an "X" in the appropriate box.)

Basic	Tier 2	Tier 3	Tier 4	Tier 5
X				

Question 3. How long is the first period, in months, for which rates are being set with this worksheet?

Question 4. How long is the second period, in months, for which rates are being set with this worksheet?

12
0

Line	Period	Residual of Channels Deleted From Tier	Residual of Channels Moved (added) to Tier	Adjustment [Column 2 - Column 1]	Cumulative Net Per-Channel Cost Adjustment
501	Previous Period				\$0.0000
502	Month 1	\$37.2876	\$0.0000	(\$37.2876)	(\$37.2876)
503	Month2			\$0.0000	(\$37.2876)
504	Month3			\$0.0000	(\$37.2876)
505	Month4			\$0.0000	(\$37.2876)
506	Month5			\$0.0000	(\$37.2876)
507	Month6			\$0.0000	(\$37.2876)
508	Month7			\$0.0000	(\$37.2876)
509	Month8			\$0.0000	(\$37.2876)
510	Month9			\$0.0000	(\$37.2876)
511	Month10			\$0.0000	(\$37.2876)
512	Month 11			\$0.0000	(\$37.2876)
513	Month 12			\$0.0000	(\$37.2876)
514	Average Period 1 Channel Movement and Deletion Adjustment				(\$37.2876)

Worksheet 7 - External Costs True-Up Period

For instructions, see Appendix A of Instructions For FCC Form 1240

Question 1. For which time period are you filling out this worksheet? [Put an "X" in the appropriate box.]

True-Up Period	Projected Period
X	
	12
	0

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External Costs Eligible for Markup					
701	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period	\$3,047,208.55			
702	Retransmission Consent Fees For Period				
703	Copyright Fees For Period	\$100,610.07			
704	External Costs Eligible For 7.5% Markup	\$3,147,818.62			
705	Marked Up External Costs	\$3,383,905.0136			
External Costs Not Eligible for Markup					
706	Cable Specific Taxes For Period				
707	Franchise Related Costs For Period	\$0.00			
708	Commission Regulatory Fees For Period	\$16,228.32			
709	Total External Costs For Period	\$3,400,133.3336			
710	Monthly, Per-Subscriber External Costs For Period 1	\$8.3807			

Period 2

External Costs Eligible for Markup					
711	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period				
712	Retransmission Consent Fees For Period				
713	Copyright Fees For Period				
714	External Costs Eligible For 7.5% Markup				
715	Marked Up External Costs				
External Costs Not Eligible for Markup					
716	Cable Specific Taxes For Period				
717	Franchise Related Costs For Period				
718	Commission Regulatory Fees For Period				
719	Total External Costs For Period				
720	Monthly, Per-Subscriber External Costs For Period 2				

Worksheet 7 - External Costs Projected Period

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
	X
	12
	0

Question 1. For which time period are you filling out this worksheet? [Put an "X" in the appropriate box.]

Question 2. How long is the first period, in months, for which rates are being set with this worksheet?

Question 3. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
Period 1						
External Costs Eligible for Markup						
701	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period	\$140,285.18				
702	Retransmission Consent Fees For Period					
703	Copyright Fees For Period	\$102,824.09				
704	External Costs Eligible For 7.5% Markup	\$243,109.27				
705	Marked Up External Costs	\$261,342.4641				
External Costs Not Eligible for Markup						
706	Cable Specific Taxes For Period					
707	Franchise Related Costs For Period	\$0.00				
708	Commission Regulatory Fees For Period	\$16,585.44				
709	Total External Costs For Period	\$277,927.9041				
710	Monthly, Per-Subscriber External Costs For Period 1	\$0.6703				

Worksheet 8 - True-Up Rate Charged

For instructions, see Appendix A of Instructions For FCC Form 1240

Question 1 **How long** is the True-Up Period 1, in **months**?

12

Question 2 How long is the True-Up Period 2, in months?

0

801	Month 1	\$25.9400			
802	Month2	\$25.9400			
803	Month3	\$25.9400			
804	Month 4	\$25.9400			
805	Month5	\$25.9400			
806	Month6	\$25.9400			
807	Month7	\$25.9400			
808	Month8	\$25.9400			
809	Month9	\$25.9400			
810	Month 10	\$25.9400			
811	Month 11	\$25.9400			
812	Month 12	\$25.9400			
813	Period 1 Average Rate	\$25.9400			
814	Month 13				
815	Month 14				
816	Month15				
817	Month16				
818	Month 17				
819	Month 18				
820	Month 19				
821	Month20				
822	Month21				
823	Month22				
824	Month23				
826	Period 2 Average Rate				